

## **INDEPENDENT AUDITOR'S REPORT**

Members of Borough Council  
Borough of Greencastle  
Greencastle, Pennsylvania

### **Report on the Financial Statements**

We have audited the accompanying modified cash basis financial statements of the Borough of Greencastle, Pennsylvania (the "Borough"), of the governmental activities, the business-type activity, the discretely-presented component unit, each major fund, and the aggregate remaining fund information, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Basis for Qualified Opinion on Governmental Activities**

The Borough has declined to adopt Governmental Accounting Standards Board (GASB) Statement No. 75, “*Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*”. The liability and expense recognition and related disclosures mandated by GASB Statement No. 75 are required by accounting principles generally accepted in the United States of America, as applied to the Borough’s modified cash basis of accounting. The effects of this omission on the Borough’s financial statements are not reasonably determined.

### **Qualified Opinion**

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Governmental Activities” paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Borough of Greencastle, Pennsylvania, as of December 31, 2018, and the respective changes in financial position thereof for the year then ended in conformity with the modified cash basis of accounting described in Note 1.

### **Unmodified Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activity, the discretely-presented component unit, each major fund, and the aggregate remaining fund information, of the Borough of Greencastle, Pennsylvania, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and Highway Aid Fund for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

### **Basis of Accounting**

We draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

### **Other Matters**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Greencastle’s basic financial statements. The schedules and related notes listed in the table of contents as other information and supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The General Fund - Schedules of Revenues and Expenditures - Budget and Actual are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The pension schedules and related notes, listed in the table of contents as other information have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

A handwritten signature in cursive script that reads "Boyer & Ritten". The signature is written in black ink and is centered on the page.

Chambersburg, Pennsylvania  
July 11, 2019

**BOROUGH OF GREENCASTLE**

**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**

**December 31, 2018**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activity	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,667,892	\$ 707,526	\$ 2,375,418	\$ 1,310,966
Receivable from fiduciary fund	1	-	1	-
Capital assets, net of depreciation	3,272,020	6,854,256	10,126,276	12,937,699
Prepaid insurance, net of amortization	-	4,272	4,272	-
Net pension asset	407,530	-	407,530	-
<b>Total assets</b>	<b>5,347,443</b>	<b>7,566,054</b>	<b>12,913,497</b>	<b>14,248,665</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred amounts from pensions	392,986	-	392,986	-
Deferred amounts on refunding debts	-	26,257	26,257	-
<b>Total deferred outflows of resources</b>	<b>392,986</b>	<b>26,257</b>	<b>419,243</b>	<b>-</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 5,740,429</b>	<b>\$ 7,592,311</b>	<b>\$ 13,332,740</b>	<b>\$ 14,248,665</b>
<b>LIABILITIES</b>				
Payroll tax liabilities and other current liabilities	\$ 4,528	\$ -	\$ 4,528	\$ 956
Escrow deposits	4,000	-	4,000	-
Long-term liabilities:				
Due within 1 year	-	100,000	100,000	304,138
Due in more than 1 year	-	684,956	684,956	982,375
Net pension liability	303,998	-	303,998	-
<b>Total liabilities</b>	<b>312,526</b>	<b>784,956</b>	<b>1,097,482</b>	<b>1,287,469</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred amounts from pensions	143,060	-	143,060	-
<b>NET POSITION</b>				
Net investment in capital assets	3,272,020	6,069,300	9,341,320	11,651,186
Restricted for:				
Capital improvements	267,090	-	267,090	-
Specified purposes	274,799	-	274,799	-
Unrestricted	1,470,934	738,055	2,208,989	1,310,010
<b>Total net position</b>	<b>5,284,843</b>	<b>6,807,355</b>	<b>12,092,198</b>	<b>12,961,196</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 5,740,429</b>	<b>\$ 7,592,311</b>	<b>\$ 13,332,740</b>	<b>\$ 14,248,665</b>

See Notes to Financial Statements.